

Airport-Airline Lease Agreement

Original Agreement

- ✓ Original agreement took effect in April 1978
- ✓ Expires November 30, 2007
- ✓ Only three signatory airlines remain at SJC (American, Delta and United)
- ✓ Current residual agreement gives approval rights to signatory airlines over Airport capital improvements (no MII)
- ✓ Non signatory airlines currently operate on a month-to-month lease and have no approval rights on capital improvements

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New Agreement

- ✓ City and airlines have been negotiating for over a year and have now reached agreement
- ✓ New agreement will take effect July 1, 2007
- ✓ Initial term is five years (until 2012) with one five-year bi-lateral extension (to 2017)
- ✓ If any of the three original signatory airlines do not approve the new agreement, the current agreement remains in effect until November 30, 2007
- ✓ New agreement gives City much greater control over the operation and development of the Airport

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Key Provisions

Use of Terminal Facilities

- ✓ Majority of terminal facilities (gates, ticket counters, baggage, etc.) to be operated on a shared-use or preferential-use basis

Rates and Charges

Establishes methodology for rates and charges:

- ✓ Residual airfield - landing fees
- ✓ Modified compensatory terminal - rents based on square footage of rented terminal space
- ✓ Shared space charges based on activity

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Key Provisions

Revenue-Sharing

Revenue-sharing between Airport and airlines:

- ✓ Many carriers will see their rents reduced
- ✓ Airport can have funding for any Airport purpose

Master Plan Program

- ✓ TAIP Phase I unconditionally pre-approved
- ✓ TAIP Phase II conditionally pre-approved with specific activity levels

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Key Provisions

Capital Projects

- ✓ MII objection required on any project NOT in Phase I or II over \$5 million in costs

Curfew

- ✓ Each airline agrees to comply with the Curfew Ordinance
- ✓ Includes *voluntary* agreement to not conduct takeoffs and landings during curfew hours, even if allowed by the Curfew Ordinance.

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Other Provisions

- ✓ Signatory and non-signatory airlines defined
- ✓ Non-signatory airlines will pay a 25% premium over rates and charges for signatory airlines
- ✓ Non-signatory airlines cannot participate in consideration of proposed capital projects
- ✓ Airlines that are neither signatory nor non-signatory carriers will pay a 30% premium over rates and charges for signatory airlines
- ✓ Rate stabilization fund established to help support City-forecasted Cost per Passenger Enplanement

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Other Provisions

- ✓ City will use reasonable efforts to keep growth of “controllable” expenses to 5% or less per year
- ✓ Municipally-funded air service incentive program will reduce City overhead if SJC enplanements exceed nationwide growth levels
- ✓ City will give signatory carriers 60 days notice of the proposed rates and charges for the next fiscal year
- ✓ The City takes ownership of Terminal A+ as of December 1, 2007
- ✓ Rates-and-charges methodology incorporates incentive to use larger aircraft (i.e., fewer aircraft operations over neighborhoods)